



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

)	<u>WATER</u>
IN THE MATTER OF THE PETITION OF)	DECISION AND ORDER
UNITED WATER NEW JERSEY, UNITED WATER)	
TOMS RIVER, UNITED WATER LAMBERTVILLE,)	
UNITED WATER MID-ATLANTIC, AND GAZ)	
DE FRANCE FOR APPROVAL AS NEEDED)	
FOR A CHANGE IN OWNERSHIP AND CONTROL)	DOCKET NO. WM06110767

(SERVICE LIST ATTACHED)

BY THE BOARD:

BACKGROUND / PROCEDURAL HISTORY:

On November 1, 2006, United Water New Jersey ("UWNJ"), United Water Toms River ("UWTR"), United Water Lambertville ("UWL") and the regulated utilities owned by United Water Mid-Atlantic¹ ("UWMA"), together with Gaz de France ("GdF") (collectively, "Joint Petitioners") filed a Petition ("Petition") with the New Jersey Board of Public Utilities ("BPU" or "Board") seeking approval for a change of ownership and control. UWNJ, UWTR, UWL, and the regulated utilities owned by UWMA together constitute the New Jersey regulated utility subsidiaries of United Water Resources Inc. ("UWR").² These New Jersey operating utilities will be collectively referred to as the "New Jersey Operating Utilities" or "Utilities".

UWR is a subsidiary of United Water Inc. ("UWI"), a Delaware Corporation. UWI provides water and wastewater services through its regulated utilities and non-regulated municipal contract operations to more than 7.5 million customers in 21 states. UWI is a subsidiary of Suez Environment North America, Inc. ("SENA"), also a Delaware Corporation. SENA is a wholly-owned subsidiary of Suez Environment ("SE"), a corporation organized and existing under the laws of the Republic of France. SE is in turn a wholly owned subsidiary of Suez, a corporation

¹ These subsidiaries are United Water Great Gorge, United Water Vernon Sewage, United Water Arlington Hills Water and Sewer, United Water Hampton, United Water West Milford Sewage, United Water Matchaponix, United Water Princeton Meadows, and United Water Vernon Hills.

² Pursuant to an Order dated October 25, 2007, in BPU Docket No. WR 07020135, United Water Arlington Hills, United Water Hampton, United Water Vernon Hills, and UWL were merged with and into UWNJ.

organized and existing under the laws of the Republic of France, with its shares publicly traded primarily on the Paris stock exchange. Suez is an international energy and environmental services group that produces electricity, trades and sells gas and power, provides gas transportation and distribution services, and provides environmental services (including water, sanitation, and waste management) to customers around the world. GdF is an integrated energy utility that previously was a public-sector entity with an industrial and commercial character, but became a corporation pursuant to legislation enacted in France on August 9, 2004.

In the Original Petition, the Joint Petitioners requested that the Board issue an Order approving the change in ownership and control of the New Jersey Operating Utilities, due to the merger of GdF and Suez. As shown on the accompanying chart, Suez is the ultimate parent company of SE and UWR, and SE is the parent company of UWR. As set forth in the Amended Petition filed in this matter, the Joint Petitioners have requested that the BPU approve, as may be necessary, pursuant to N.J.S.A. 48:2-51.1, the Proposed Transaction under which Suez Environment will be the new ultimate parent company of UWR.

PROPOSED TRANSACTION:

A Memorandum of Understanding (the "MOU") was executed on September 15, 2006, stating an intent to enter into an agreement for the merger of Suez and GdF. That transaction was the original subject of the Petition filed in this matter. On September 2, 2007, the Boards of Directors of Gaz de France and Suez modified the terms of the transaction as follows: Suez and GdF will merge based on an exchange of 21 GdF shares for 22 shares of Suez with GdF continuing as the surviving entity. GdF will be renamed GdF Suez. After the merger, the French State will hold 35.6% of the shares of GdF Suez. A review of confidential information prepared by the various financial advisors involved in this transaction shows that the financial integrity of the combined entity will be enhanced.

Concurrent with the merger, Suez will spin-off SE in an Initial Public Offering by distributing shares of Suez Environment to existing Suez shareholders. Immediately prior to the merger, 65% of SE shares will be distributed to Suez shareholders, with Suez retaining 35% of the share capital of SE, and keeping control through a Shareholders' Agreement with the major Suez shareholders, who will receive approximately 12% of the shares. After this spin-off, SE will no longer be a wholly-owned subsidiary of Suez, and Suez will no longer be the ultimate parent company of UWR. Instead, UWR will be a wholly-owned subsidiary of the publicly-traded company, SE. GdF Suez will own 35% of the SE shares. As a result, the Amended Petition provided that the Petitioners were the New Jersey Operating Utilities and Suez Environment.

No national security concerns have been raised in connection with this transaction, which has been reviewed and approved by the Committee on Foreign Investment in the United States ("CFIUS"). Petitioners have provided the Board and the parties with copies of the approval from CFIUS. In addition, the French state will not have a controlling interest. The indirect ownership interest of the French State in SE will be approximately 12%, resulting from its 35.6% ownership in GdF Suez and GdF Suez' 35% ownership in SE.

PROCEDURAL HISTORY:

As described in detail below, although the Proposed Transaction will result in a change in the ultimate ownership of the New Jersey Operating Utilities, the management and operation of the New Jersey Operating Utilities will be unimpaired. This transaction does not involve any

transfer of franchises, assets or customers, and the New Jersey Operating Utilities will retain and maintain their respective tariffs and operations in New Jersey. The New Jersey Operating Utilities will continue to provide service to their respective existing customers in New Jersey under the same rates, terms and conditions.

A Pre-hearing Conference was held on March 30, 2007, at the offices of the Board, establishing a schedule for the conduct of the proceedings. The BPU issued a Pre-hearing Order on May 15, 2007. On November 25, 2007, Petitioners provided the Direct Testimonies of Robert Iacullo, Chief Operating Officer of United Water Management and Services, Inc., and President of UWNJ and the other Utilities, and Walton F. Hill, Senior Vice President, Regulatory Relations of United Water Management and Services, Inc. By letter dated June 6, 2007, the Joint Petitioners advised the BPU of a delay in the underlying transaction and requested a suspension of the procedural schedule. By Order dated July 5, 2007, the BPU suspended the schedule pending further action by the Joint Petitioners.

On October 31, 2007, an Amended Petition ("Amended Petition") was filed by the Joint Petitioners, seeking certain relief as described below. Petitioners submitted revised prefiled testimonies from Mr. Iacullo and Mr. Hill. In the Amended Petition and Exhibits, in the filed testimony, and in response to discovery propounded by BPU Staff and Rate Counsel, the Joint Petitioners have provided information in accordance with N.J.A.C. 14:1-5.14 with respect to the Proposed Transaction. Appropriate notice was given to the municipalities served by the New Jersey Utilities, in accordance with N.J.A.C. 14:1-5.14(b)(12), as well as information in compliance with other regulatory agencies, including the Federal Energy Regulatory Commission and Committee on Foreign Investment in the United States ("CFIUS").

Public Hearings were held on the Petition on May 15, 2007 and on the Amended Petition on January 29, 2008, in Hackensack, New Jersey, for the purpose of receiving comments from the public on the Proposed Transaction. Representatives of the Joint Petitioners, BPU Staff and Rate Counsel attended, and described the Proposed Transaction to the public and responded to questions. The parties have considered the comments of the public received as a result of those hearings, as well as written comments received in connection with the January 29 Public Hearing, in reaching the Stipulation.

Board Staff and the Division of Rate Counsel served extensive and detailed discovery requests for information upon the Joint Petitioners. In total, the Joint Petitioners responded to over eighty initial and supplemental requests served by the Board Staff and the Rate Counsel during the course of the proceedings. The Board Staff has relied upon the Direct Testimonies of Mr. Iacullo and Mr. Hill, and the information contained in the responses of the Joint Petitioners to the discovery requests in entering into the attached Stipulation.

After the parties completed the initial and supplemental rounds of discovery, the parties, including the intervenor, Utility Workers Union of America, Local 375, engaged in discussions of positions in the context of a settlement meeting held on March 31, 2008, and subsequent discussions. The parties agreed that the record developed through discovery, together with the conditions set forth in the Stipulation (attached), provides a substantial basis for the Board to find that the statutory and regulatory standards that apply to the Proposed Transaction have been met. The parties further agreed that the Stipulation represents a fair and reasonable disposition of this proceeding.

DISCUSSION AND FINDINGS

Statutory And Regulatory Requirements

This request for approval of a merger, like all such requests, is bound by the statutory and regulatory requirements set forth in the Board's controlling legislation. N.J.S.A. 48:2-51.1 provides that "No person shall acquire or seek to acquire control of a public utility directly or indirectly . . . without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void." Furthermore, the statute sets forth the explicit elements that the Board must consider prior to the granting of any approval.

In considering a request for approval of an acquisition of control, the board shall evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates.

[N.J.S.A. 48:2-51.1.]

Under the Board's current regulatory framework, the review of a merger is subject to what has been termed the "positive benefits" standard. Under N.J.A.C. 14:1-5.14(c), "The Board shall not approve a merger, consolidation, acquisition and/or change in control unless it is satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1." It is within this framework that the Board must consider the proposed Stipulation and underlying transaction.

Impact on Competition

The parties to the Stipulation claim that the Proposed Transaction will not adversely impact competition because the spin-off of Suez Environment will not result in any new operations in the United States. Each of the New Jersey Operating Utilities will continue to provide service to its customers in its current franchise location. Accordingly, there will be neither an increase nor a decrease in competition; the merger should be neutral on this topic.

The Board agrees with the analysis provided by the parties to the Stipulation and HEREBY FINDS that the proposed transaction will have no impact upon competition.

Impact on Rates

The parties to the Stipulation claim that the Proposed Transaction will not have any immediate or direct impact on the rates of the New Jersey Operating Utilities. As a result of the Proposed Transaction, there will be no change in the financial statements or financial condition of UWR or the New Jersey Utilities. No transaction costs, acquisition premium or goodwill will be recorded on their books of account. As a result of the Proposed Transaction, the New Jersey Utilities' rates will not increase. The New Jersey Operating Utilities will continue to operate under their existing Board-approved tariffs and rate structures, until such time as such tariffs and rate structures are revised in accordance with New Jersey law.

The Board, upon review of the full record, as well as the Stipulation, accepts the analysis presented that the Proposed Transaction will have no immediate impact upon rates paid by consumers in the State of New Jersey. As such, the Board HEREBY FINDS that the requirement that the Proposed Transaction have no negative impact upon rates has been satisfied.

Impact on Employees

The parties to the Stipulation claim that the Proposed Transaction will not have an adverse impact on the employees of UWR. As a result of the Proposed Transaction, the management of the Utilities will not change. UWR's headquarters will remain in Harrington Park, New Jersey. As a result of the Proposed Transaction, no changes in the day-to-day operations and management of the New Jersey Utilities are anticipated, nor are workforce reductions anticipated. The Proposed Transaction will not affect existing collective bargaining agreements currently entered into by UWR, and, in fact, the Stipulation makes explicit that all collective bargaining agreements will continue forward in full force.

The Board, based upon its review of the Proposed Transaction and the Stipulation, and in light of the explicit agreements concerning employees and office locations contained in the Stipulation, HEREBY FINDS that the proposed transaction is expected to have no adverse impact upon employees in the State.

Impact on Service

The parties to the Stipulation claim that the Proposed Transaction will not have an adverse impact on the continued provision by the New Jersey Operating Utilities of safe, adequate and proper service at just and reasonable rates in fulfillment of their obligations under New Jersey law. As a result of the Proposed Transaction, the New Jersey Utilities will continue to adhere to their tariffs and to honor their customer and regulatory obligations. All service company agreements approved by the Board, will remain in effect.

The Proposed Transaction will not affect the Board's powers or jurisdiction with respect to the New Jersey Operating Utilities or the authority of any other governmental agencies as to the services or facilities of the New Jersey Operating Utilities. The New Jersey Operating Utilities will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of New Jersey public utilities. The Stipulation makes explicit that nothing in the Stipulation "shall be construed as limiting the jurisdiction vested in the Board under Title 48 of the New Jersey Statutes or as altering the requirements found therein, including, but not limited to, the requirements of N.J.S.A. 48:2-51.1 or N.J.S.A. 48:2.16." Stipulation, ¶ 33 (hh).

Based upon the language of the Stipulation, as well as a full review of the record, the Board HEREBY FINDS that the Proposed Transaction is unlikely to have any negative impact upon the provision of safe, adequate and proper service at just and reasonable rates.

Positive Benefits

The parties to the Stipulation claim that the customers of the Utilities will benefit from the Proposed Transaction because they will be part of a much larger international company with greater access to a research and development capacity in utility operations and management. At the same time, SE, focused solely on environmental services, will have greater autonomy. Customers of the Utilities will benefit from becoming part of an organization dedicated 100% to

the environment business with nearly 60,000 employees worldwide, but still embedded in a large international group. Moreover, the Initial Public Offering will enable the environment activities of Suez, including those of UWR and the New Jersey Utilities, to benefit from better exposure with direct access to the financial markets as well as the support of stable shareholding, and the controls and discipline associated with a public company. In that regard, upon becoming a listed company, Suez Environment will be subject to French and European Community rules and regulations relating to transparency and disclosure, such as continuous reporting obligations to the securities commission ("Autorite des marches financiers", or AMF) and the public, use of International Financial Reporting Standards (IFRS) for year end, half year and quarterly financial reporting, reporting of shareholders' beneficial ownership, and reporting on internal controls. In addition, SE will be subject to corporate governance requirements such as independence of board members and audit committee members, executive compensation and benefits disclosure, audits' independence rules, requirement to have two statutory auditors, and stricter rules on shareholders' meetings.

Likewise, the parties to the Stipulation claim that customers will benefit from the transaction because the Suez Group, including SE, already invest heavily in research and development and this knowledge development is expected to continue or increase. UWR will continue to benefit from the continuing water technology and research efforts of the Suez group. In 2006, SE expended about 56 M EUR (\$73.75 M), and in 2007, SE expended about 65 M EUR (approximately \$102 M) in Research and Development efforts.

Furthermore, claim the parties to the Stipulation, the New Jersey Operating Utilities already benefit from access to the worldwide water quality expertise within the Suez Group. A project for the rehabilitation of United Water New Jersey's major water treatment works and related outstations has been studied by the water quality professionals within the Suez Group who were then able to develop a protocol for instrumentation, control and automation of the system based around the Haworth Treatment Plant. The upgrade of the plant itself is currently under way.

In addition, the parties to the Stipulation assert that UWR and its affiliates have benefited from new technology developed within the Suez Group, including ultraviolet light disinfection in use at Saddle River, New Jersey; enhanced high rate clarification at the Lake Deforest plant in New York, membrane filtration at a water treatment facility in Bexar Met, Texas, and water recycling at a water reuse plant at the West Basin facility in California. In 2005, the four largest operating units of the Suez Environment Group formed an Alliance to define and execute research and development programs of common interest. United Water is participating in that alliance and will have access to all proprietary technology that is developed through the efforts of Alliance members.

Finally, the parties to the Stipulation claim that the terms and conditions of the Stipulation add to the positive benefits expected to inure to the people of the State. These benefits include commitments to provide notification of significant issues and material events, a commitment that 30% of UWNJ directors will be New Jersey residents who are independent directors, a commitment to provide notice of workforce reductions, if any, in a timely manner, a commitment to provide notification before making any dividend payment in excess of 75% of after-tax net income, as well as other commitments involving notice to the Board of specific incidents and business relationships, set forth fully in the Stipulation.

Based upon the Board's review of the Proposed Transaction and the elements of the Stipulation, as well as a full review of the record, the Board HEREBY FINDS that the Proposed Transaction will provide positive benefits, including the benefits associated with technological

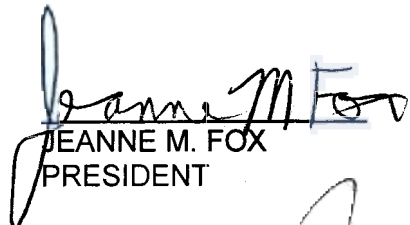
and financial expertise set forth in the Stipulation, the concentration on water quality expressed by the Suez Group, and the commitments provided as part of the Stipulation.

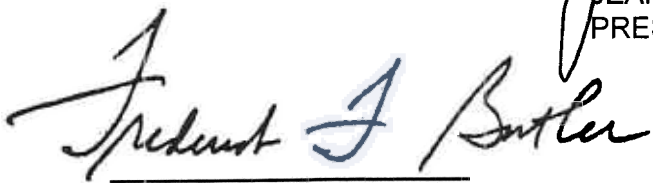
Accordingly, based upon the review of the Proposed Transaction, associated record and the Stipulation presented by the parties, the Board HEREBY FINDS that the standards for approval of a transfer or merger under N.J.S.A. 48:2-51.5 and N.J.A.C. 14:1-5.14 have been satisfied such that approval of the merger is appropriate under the circumstances, is in accordance with appropriate laws and regulations, and is in the public interest. As such, the Board HEREBY ADOPTS the Stipulation and HEREBY INCORPORATES each and every term of the Stipulation into this Order as though those terms were set out in full, and HEREBY DIRECTS all parties to the Stipulation to take appropriate steps to satisfy the requirements set therein. Without prejudice and in the interest of ensuring compliance, the Board specifically reminds the parties of the need for Board approval prior to inter-company lending, notice of significant corporate and staffing changes, the continuation of all employment agreements, and the continued and ongoing requirement to provide access and information to the Board, as outlined and agreed to in the Stipulation.

Furthermore, the Board HEREBY ORDERS that Petitioners shall notify the Board of the closing of the proposed transaction within ten (10) days of consummation of the transfer. Finally, the Board ORDERS that the approval of this Stipulation and associated Proposed Transaction shall expire on December 31, 2008, unless the Proposed Transaction has been consummated or unless an extension or modification has been ordered by this Board.

DATED: 6/16/08

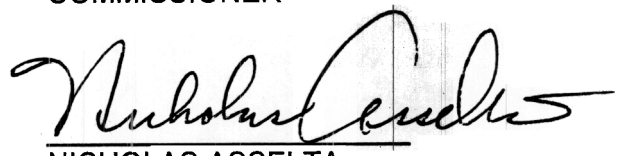
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

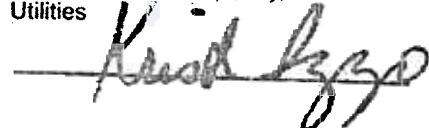

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities


SERVICE LIST

In the Matter of the Petition of United Water New Jersey, United Water Toms River,
United Water Lambertville, United Water Mid-Atlantic, and Gaz de France
for Approval as Needed for a Change in Ownership and Control
BPU Docket No. WM06110767

Victor Fortkiewicz
Executive Director
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Rupal Patel
Conservation & Engineering
Div. of Water & Wastewater
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Dante Mugrace, Chief
Bureau of Rates
Div. of Water & Wastewater
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Michael Kammer
Div. of Water & Wastewater
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Mark C. Beyer
Chief Economist
Office of the Economist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Robert Wojciak
Office of the Economist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Michael Tavani
Office of the Economist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Christine Lin
Office of the Economist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Samuel Wolfe, Esq.
Legal Department
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Joseph F. Quirolo, Esq.
Legal Department
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Donna Luhn, Esq.
Legal Department
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Marco Valdivia, Bureau Chief
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Yanina Lepore
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Stefanie A. Brand, Director
Division of Rate Counsel
31 Clinton Street, 11th Fl.
P.O. Box 46005
Newark, NJ 07101

Debra Robinson, Esq.
Division of Rate Counsel
31 Clinton Street, 11th Fl.
P.O. Box 46005
Newark, NJ 07101

Alex Moreau, DAG
Division of Law
Dept. of Law & Public Safety
124 Halsey Street, 5th Fl.
Newark, NJ 07101
alex.moreau@dol.lps.state.nj.us

Arlene E. Pasko, DAG
Division of Law
Dept. of Law & Public Safety
124 Halsey Street, 5th Fl.
Newark, NJ 07101
arlene.pasko@dol.lps.state.nj.us

Walton Hill, Esq.
United Water
200 Old Hook Road
Harrington Park, NJ 07640

Robert Gerber, Esq.
General Counsel
United Water Regulated Segment
200 Old Hook Road
Harrington Park, NJ 07640

Stephen B. Genzer, Esq.
Mark L. Mucci, Esq.
Colleen A. Foley, Esq.
Saul Ewing LLP
One Riverfront Plaza, 5th Fl.
Newark, NJ 07102

Robert J. Henkes
Henkes Consulting
7 Sunset Road
Old Greenwich, CT 06870

Brett I. Last, Esq.
O'Brien, Belland & Bushinsky, LLC
2111 New Road
Northfield, NJ 08225

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

In the Matter of the Petition of United Water
New Jersey, United Water Toms River,
United Water Lambertville, United Water
Mid-Atlantic, and Gaz de France
For Approval as Needed for a Change in
Ownership and Control

BPU Docket No. WM06110767

STIPULATION

APPEARANCES

Mark L. Mucci, Esq., Saul Ewing LLP and Walton F. Hill, Esq., Senior Vice President,
United Water, Inc., for Joint Petitioners.

Arlene E. Pasko and Alex Moreau, Deputy Attorneys General, on behalf of the Staff of
the Board of Public Utilities

Debra F. Robinson, Esq., on behalf of the Department of the Public Advocate, Division
of Rate Counsel

**TO THE HONORABLE COMMISSIONERS OF THE NEW JERSEY BOARD OF PUBLIC
UTILITIES:**

INTRODUCTION

On November 1, 2006, United Water New Jersey (“UWNJ”), United Water Toms River (“UWTR”), United Water Lambertville (“UWL”) and the regulated utilities owned by United Water Mid-Atlantic¹ (“UWMA”), together with Gaz de France (“GdF”) (collectively referred to herein as the “Joint Petitioners”) filed a Petition (“Petition”) with the New Jersey Board of Public Utilities (“BPU” or “Board”) seeking certain relief as described below. UWNJ, UWTR, UWL, and the regulated utilities owned by UWMA together constitute the New Jersey regulated utility

¹ These subsidiaries are United Water Great Gorge, United Water Vernon Sewage, United Water Arlington Hills Water and Sewer, United Water Hampton, United Water West Milford Sewage, United Water Matchaponix, United Water Princeton Meadows, and United Water Vernon Hills.

subsidiaries of United Water Resources Inc. (“UWR”).² These New Jersey operating utilities will be collectively referred to as the “New Jersey Operating Utilities” or “Utilities”.

DESCRIPTION OF THE COMPANIES

2. UWR is a subsidiary of United Water Inc., a Delaware Corporation (“UWI”). UWI provides water and wastewater services through its regulated utilities and non-regulated municipal contract operations to more than 7.5 million customers in 21 states. UWI is a subsidiary of Suez Environment North America, Inc. (“SENA”), also a Delaware Corporation. SENNA is a wholly-owned subsidiary of Suez Environment (“SE”), a corporation organized and existing under the laws of the Republic of France. SE is in turn a wholly owned subsidiary of Suez, a corporation organized and existing under the laws of the Republic of France, with its shares publicly traded on the Paris stock exchange, among others. Suez is an international energy and environmental services group that produces electricity, trades and sells gas and power, provides gas transportation and distribution services, and provides environmental services (including water, sanitation, and waste management) to customers around the world.

3. GdF is an integrated energy utility that previously was a public-sector entity with industrial and commercial character, but became a corporation pursuant to legislation enacted in France on August 9, 2004.

DESCRIPTION OF THE PROPOSED TRANSACTION

4. In the Petition, the Joint Petitioners requested that the Board issue an Order approving the change in ownership and control of the New Jersey Operating Utilities, due to the merger of GdF and Suez. As shown on the accompanying chart, Suez is the ultimate parent company of SE and UWR, and SE is the parent company of UWR.

² Pursuant to an Order dated October 25, 2007, in BPU Docket No. WR 07020135, United Water Arlington Hills, United Water Hampton, United Water Vernon Hills, and UWL were merged with and into UWNJ.

5 As set forth in the Amended Petition filed in this matter, the Joint Petitioners have requested that the BPU approve, as may be necessary, pursuant to N.J.S.A. 48:2-51.1, the Proposed Transaction under which Suez Environment will be the new ultimate parent company of UWR.

6 As described in detail below, although the Proposed Transaction will result in a change in the ultimate ownership of the New Jersey Operating Utilities, the management and operation of the New Jersey Operating Utilities will be unimpaired. This transaction does not involve any transfer of franchises, assets or customers, and the New Jersey Operating Utilities will retain and maintain their respective tariffs and operations in New Jersey. The New Jersey Operating Utilities will continue to provide service to their respective existing customers in New Jersey under the same rates, terms and conditions

7 A Memorandum of Understanding (the "MOU") was executed on September 15, 2006, stating an intent to enter into an agreement for the merger of Suez and GdF. That transaction was the original subject of the Petition filed in this matter. On September 2, 2007, the Boards of Directors of Gaz de France and Suez modified the terms of the transaction as follows: Suez and GdF will merge based on an exchange of 21 GdF shares for 22 shares of Suez with GdF continuing as the surviving entity. GdF will be renamed GdF Suez. After the merger, the French State will hold 35.6% of the shares of GdF Suez. A review of confidential information prepared by the various financial advisors involved in this transaction shows that the financial integrity of the combined entity will be enhanced

8 Concurrent with the merger, Suez will spin-off SE in an Initial Public Offering by distributing shares of Suez Environment to existing Suez shareholders. Immediately prior to the merger, 65% of SE shares will be distributed to Suez shareholders, with Suez retaining 35% of

the share capital of SE, and keeping control through a Shareholders' Agreement with the major Suez shareholders, who will receive approximately 12% of the shares. After this spin-off, SE will no longer be a wholly-owned subsidiary of Suez, and Suez will no longer be the ultimate parent company of UWR. Instead, UWR will be a wholly-owned subsidiary of the publicly-traded company, SE. GdF Suez will own 35% of the SE shares. As a result, the Amended Petition provided that the Petitioners were the New Jersey Operating Utilities and Suez Environment.³

9. No national security concerns have been raised in connection with this transaction, which has been reviewed and approved by the Committee on Foreign Investment in the United States ("CFIUS"). Petitioners have provided the Board and the parties with copies of the approval from CFIUS. In addition, the French state will not have a controlling interest. The indirect ownership interest of the French State in SE will be approximately 12%, resulting from its 35.6% ownership in GdF Suez and GdF Suez' 35% ownership in SE.

STATUTORY REQUIREMENTS

10. N.J.S.A. 48:2-51.1 provides as follows: "No person shall acquire or seek to acquire control of a public utility directly or indirectly . without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void." That provision provides as follows with respect to the review by the BPU: "In considering a request for approval of an acquisition of control, the board shall evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities and on the provision of safe and adequate utility service at just and reasonable rates."

NO ADVERSE IMPACTS AS A RESULT OF THE PROPOSED TRANSACTION

³ Consistent with this change, the caption should be modified to substitute Suez Environment for GdF.

11. In the Amended Petition and Exhibits, in the filed testimony, and in response to discovery propounded by BPU Staff and Rate Counsel, the Joint Petitioners have provided information in accordance with N.J.A.C. 14:1-5.14 with respect to the Proposed Transaction. Appropriate notice was given to the municipalities served by the New Jersey Utilities, in accordance with N.J.A.C. 14:1-5.14(b)(12), as well as information in compliance with other regulatory agencies, including the Federal Energy Regulatory Commission and CFIUS. As set forth more fully below, the signatory parties agree that positive benefits will flow to customers as a result of this transaction and the terms and conditions of this Stipulation, and that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1, in accordance with N.J.A.C. 14:1-5.14(c).

12. As set forth in the Amended Petition, immediately following the consummation of the Proposed Transaction, the New Jersey Operating Utilities will continue to offer the same services they currently offer with no change in the rates or terms and conditions of service. The indirect transfer of control of the Utilities resulting from this transaction therefore will be seamless and transparent to consumers in New Jersey. The Utilities will continue to be wholly-owned subsidiaries of UWR and will continue to exist as public utility corporations subject to regulation by the BPU. In particular, subject to the terms of this Stipulation, the Proposed Transaction will not adversely impact any of the four factors set out in N.J.S.A. 48:2-51, as set forth above.

3. For the reasons set forth in the following paragraphs, the signatory parties agree that the record herein supports the findings and conclusions that the Proposed Transaction will not adversely impact competition, rates, employees or the provision of safe and adequate utility service at just and reasonable rates.

Impact on Competition

14. The Proposed Transaction will not adversely impact competition, because the spin-off of Suez Environment will not result in any new operations in the United States. Each of the New Jersey Operating Utilities will continue to provide service to its customers in its current franchise location.

Impact on Rates

15 The Proposed Transaction will not have any immediate or direct impact on the rates of the New Jersey Operating Utilities. As a result of the Proposed Transaction, there will be no change in the financial statements or financial condition of UWR or the New Jersey Utilities. No transaction costs, acquisition premium or goodwill will be recorded on their books of account. As a result of the Proposed Transaction, the New Jersey Utilities' rates will not increase. The New Jersey Operating Utilities will continue to operate under their existing Board-approved tariffs and rate structures, until such time as such tariffs and rate structures are revised in accordance with New Jersey law.

Impact on Employees

16. The Proposed Transaction will not have an adverse impact on the employees of UWR. As a result of the Proposed Transaction, the management of the Utilities will not change. UWR's headquarters will remain in Harrington Park, New Jersey. As a result of the Proposed Transaction, no changes in the day-to-day operations and management of the New Jersey Utilities are anticipated, nor are workforce reductions anticipated. The Proposed Transaction will not affect existing collective bargaining agreements currently entered into by UWR.

Impact on Service

17 The Proposed Transaction will not have an adverse impact on the continued provision by the New Jersey Operating Utilities of safe, adequate and proper service at just and reasonable rates in fulfillment of their obligations under New Jersey law. As a result of the Proposed Transaction, the New Jersey Utilities will continue to adhere to their tariffs and to honor their customer and regulatory obligations. All service company agreements approved by the Board, will remain in effect.

18 The Proposed Transaction will not affect the Board's powers or jurisdiction with respect to the New Jersey Operating Utilities or the authority of any other governmental agencies as to the services or facilities of the New Jersey Operating Utilities. The New Jersey Operating Utilities will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of New Jersey public utilities.

POSITIVE BENEFITS OF THE PROPOSED TRANSACTION

19. The signatory parties agree that, in addition to no adverse impacts on any of the criteria in N.J.S.A. 48:2-51.1, positive benefits will be provided to customers as a result of this transaction and the terms and conditions of this Stipulation.

20. The customers of the Utilities will benefit from the Proposed Transaction because they will be part of a much larger international company with greater access to a research and development capacity in utility operations and management. At the same time, SE, focused solely on environmental services, will have greater autonomy. Customers of the Utilities will benefit from becoming part of an organization dedicated 100% to the environment business with nearly 60,000 employees worldwide, but still embedded in a large international group. Moreover, the Initial Public Offering will enable the environment activities of Suez, including those of UWR and the New Jersey Utilities, to benefit from better exposure with direct access to

the financial markets as well as the support of stable shareholding, and the controls and discipline associated with a public company. In that regard, upon becoming a listed company, Suez Environment will be subject to French and European Community rules and regulations relating to transparency and disclosure, such as continuous reporting obligations to the securities commission (“Autorite des marches financiers”, or AMF) and the public, use of International Financial Reporting Standards (IFRS) for year end, half year and quarterly financial reporting, reporting of shareholders’ beneficial ownership, and reporting on internal controls. In addition, SE will be subject to corporate governance requirements such as independence of board members and audit committee members, executive compensation and benefits disclosure, audits’ independence rules, requirement to have two statutory auditors, and stricter rules on shareholders’ meetings.

21 Customers will benefit from the transaction because the Suez Group, including SE, already invest heavily in research and development and this knowledge development is expected to continue or increase. UWR will continue to benefit from the continuing water technology and research efforts of the Suez group. In 2006, SE expended about 56 M EUR (\$73.75 M), and in 2007, SE expended about 65 M EUR (approximately \$102 M) in Research and Development efforts.

22. The New Jersey Operating Utilities already benefit from access to the worldwide water quality expertise within the Suez Group. A project for the rehabilitation of United Water New Jersey’s major water treatment works and related outstations has been studied by the water quality professionals within the Suez Group who were then able to develop a protocol for instrumentation, control and automation of the system based around the Haworth Treatment Plant. The upgrade of the plant itself is currently under way.

23 UWR and its affiliates have also benefited from new technology developed within the Suez Group, including ultraviolet light disinfection in use at Saddle River, New Jersey; enhanced high rate clarification at the Lake Deforest plant in New York, membrane filtration at a water treatment facility in Bexar Met, Texas, and water recycling at a water reuse plant at the West Basin facility in California. In 2005, the four largest operating units of the Suez Environment Group formed an Alliance to define and execute research and development programs of common interest. United Water is participating in that alliance and will have access to all proprietary technology that is developed through the efforts of Alliance members.

24. In addition to the positive benefits described above, the signatory parties agree that the terms and conditions of Paragraph 27 of this Stipulation produce positive benefits for customers, including but not limited to: commitment to provide notification of significant issues, as detailed in subparagraph (c); commitment to provide notice of material events, as detailed in subparagraph (e); commitment that 30% of UWNJ directors will be New Jersey residents who are independent directors, as detailed in subparagraph (f); commitment to provide notice of workforce reductions, as detailed in subparagraph (j); commitment to provide notification before making any dividend payment in excess of 75% of after-tax net income, as detailed in subparagraph (m); commitment to detail affiliate relationships and provide applicable documentation, as detailed in subparagraph (p); commitment to provide notification and information on diversified investments of UWR and subsidiaries, as detailed in subparagraph (q); the location of UWR and SENA headquarters, as detailed in subparagraph (v); notification of termination of officers, as detailed in subparagraph (w); commitment to maintain investments to ensure long-term safe, adequate and proper service, and to enhance the long-term viability of the State's water supplies, as detailed in subparagraph (x); commitment to maintain credit ratings, as

detailed in subparagraph (z); commitment to maintain support of State economic growth, local communities and charitable commitments, as detailed in subparagraph (aa); employee level commitments, as detailed in subparagraph (bb)

PROCEDURAL HISTORY

25. Since the filing of the Petition, a Prehearing Conference was held on March 30, 2007, at the offices of the Board establishing a schedule for the conduct of the proceedings. The BPU issued a Prehearing Order on May 15, 2007.

26. On April 24, 2007, Petitioners provided the Direct Testimonies of Robert Iacullo, Chief Operating Officer of United Water Management and Services, Inc., and President of UWNJ and the other Utilities, and Walton F. Hill, Senior Vice President, Regulatory Relations of United Water Management and Services, Inc.

27. By letter dated June 6, 2007, the Joint Petitioners advised the BPU of a delay in the transaction, as described above, and requested a suspension of the procedural schedule. By Order dated July 5, 2007, the BPU suspended the schedule pending further action by the Joint Petitioners.

28. On October 31, 2007, an Amended Petition ("Amended Petition" was filed by the Joint Petitioners, seeking certain relief as described below. Petitioners submitted revised prefiled testimonies from Mr. Iacullo and Mr. Hill on November 26, 2007.

29. The Staff of the Board and the Division of Rate Counsel served extensive and detailed discovery requests for information upon the Joint Petitioners. In total, the Joint Petitioners responded to over eighty initial and supplemental requests served by the Board Staff and the Rate Counsel during the course of the proceedings. The Board Staff and the Division of Rate Counsel have relied upon the Direct Testimonies of Mr. Iacullo and Mr. Hill, and the information contained in the responses of the Joint Petitioners to the discovery requests in entering into this Stipulation.

30. Public Hearings were held on the Petition and Amended Petition on May 15, 2007 and January 29, 2008, respectively, at 7:30 p.m. in Hackensack, New Jersey, for the purpose of receiving comments from the public on the Proposed Transaction. Representatives of the Joint Petitioners, BPU Staff and Rate Counsel attended, and described the Proposed Transaction to the public and responded to questions. The parties have considered the comments of the public received as a result of those hearings, as well as written comments received in connection with the January 29 Public Hearing, in reaching this Stipulation.

31. After the parties completed the initial and supplemental rounds of discovery, the parties engaged in discussions of positions in the context of a settlement meeting held on March 31, 2008, and subsequent discussions. The parties agree that the record developed through discovery, together with the conditions set forth in this Stipulation, provides a substantial basis for the Board to find that the statutory and regulatory standards that apply to the Proposed Transaction have been met. The parties further agree that this Stipulation represents a fair and reasonable disposition of this proceeding.

32. The undersigned parties hereby stipulate as follows for the purposes of providing the Board with a detailed basis for its decision, including findings of fact and conclusions of law to be incorporated into the Board's decision in this proceeding. This Stipulation, however, is without prejudice to the positions of the respective parties or of the Board with respect to any future proceedings involving the Joint Petitioners, their subsidiaries and affiliates, except as set forth specifically herein. The parties hereby request that the Board act to accept and approve this Stipulation in its entirety, and issue an appropriate Order adopting the Stipulation and granting the relief sought in the Petition, subject to the conditions set forth herein.

33. NOW, THEREFORE, it is AGREED as of this day of May, 2008 as follows

(a) The Joint Petitioners will not allocate, push down or assign any of the Costs of the Proposed Transaction to the New Jersey Operating Utilities, either directly or indirectly, for rate-making purposes and such Costs of the Proposed Transaction will not be passed on to or funded by customers of the New Jersey Operating Utilities or sought to be passed on to or funded by such customers.

(b) The Joint Petitioners acknowledge that the New Jersey Operating Utilities are subject to all applicable New Jersey and federal water and wastewater supply, service and quality standards and each New Jersey Operating Utility agrees to conduct itself in a manner consistent with the objective of achieving compliance with those standards. The New Jersey Operating Utilities agree that there shall be no diminution from their current levels of customer service and water quality as a result of the Proposed Transaction and that they will maintain access to adequate resources to continue to be responsive in a timely manner to questions from customers and regulatory agencies. After the completion of the Proposed Transaction, the New Jersey Operating Utilities will continue to be managed by capable and experienced local management executives and professional and operating personnel who will carry out the obligations of the New Jersey Operating Utilities to render safe, adequate and proper service, which includes providing the Board and the Board Staff with consistent and responsive access to responsible company personnel and any information necessary to carry out the Board's regulatory functions.

(c) Following completion of the Proposed Transaction, UWR and the New Jersey Operating Utilities will continue to keep the Board and the Board Staff apprised of any significant issues affecting UWR and/or the New Jersey Operating Utilities in the manner in which they currently do so and shall use their best commercially reasonable efforts to provide

notification of any such significant issues, including, but not limited to, those set forth in subparagraphs (e) and (q) herein, to the Board and the Board Staff no later than when UWR and the New Jersey Operating Utilities give notice of such significant issues to any person or entity outside their respective companies, including any other state regulatory body or agency, to the extent permitted by the requirements of all applicable laws and regulations.

(d) Following the completion of the Proposed Transaction and, if applicable, subject to the executed Confidentiality Agreement attached as Exhibit B hereto, each New Jersey Operating Utility will provide and/or make ready for review by the Board or the Board Staff any or all of its original accounting books, records and financial documents within seven (7) business days after a request therefor by the Board and to the extent that such books, records and documents are available, unless otherwise specified by the Board.

(e) UWR and the New Jersey Operating Utilities agree to provide notice to the Board and the Board Staff, upon any applicable SEC filing relating to such event, if UWR experiences any of the following events: (i) a change of control, (ii) a material acquisition or disposal of assets other than in the ordinary course of business, (iii) a filing of bankruptcy or appointment of a receiver, or (iv) a change in its independent accounting firm. In addition, UWR and the New Jersey Operating Utilities agree to provide notice to the Board and the Board Staff, upon any applicable SEC filing or its European equivalent relating to such event, if Suez Environment experiences any of the following events: (i) a change of control, or (ii) a filing of bankruptcy or appointment of a receiver.

(f) Following the completion of the Proposed Transaction, at least thirty percent (30%) of the members of the Board of Directors of United Water New Jersey will be individuals who (i) are New Jersey residents, and (ii) are not members of the Board of Directors

of UWR unless they are "independent" directors of UWR within the meaning of the New York Stock Exchange listing requirements. Following the completion of the Proposed Transaction, the New Jersey Operating Utilities will notify the Board of any change in the composition of their Boards of Directors within ten (10) business days of the occurrence of such change.

(g) UWR will continue to fund the pension plans of the union and non-union employees of the New Jersey Operating Utilities in compliance with all applicable requirements of ERISA. 29 U.S.C.S. § 1001 The New Jersey Operating Utilities will not seek to recover from their customers any increased pension funding expense or other costs that would be incurred to remedy any violation of ERISA's minimum funding requirements prior to the spin-off of Suez Environment, if it should be determined that any such violation has occurred. Neither UWR nor the New Jersey Operating Utilities are aware of, nor do they believe that, any such violation has occurred. Nothing contained in this Stipulation shall preclude the Board from conducting an audit or review of the status and details of pension plans of the union and non-union employees under its authority in applicable New Jersey law. Nothing in this paragraph will preclude the Company from changing the terms and conditions of its pension plan as long as such change is not in violation of ERISA.

(h) Except in accordance with the provisions of a Board-approved financial service agreement, the New Jersey Operating Utilities shall not participate in any inter-company lending arrangement whereby depository, surplus cash funds are loaned or borrowed by the New Jersey Operating Utilities or any other subsidiary or affiliate of UWR to meet long-term or short-term (less than 365 days) operating cash requirements.

(i) Except in accordance with the provisions of a Board approved financial service agreement or otherwise with the prior approval of the Board, the New Jersey Operating

Utilities shall not make loans or extend credit to UWR or any subsidiary of Suez Environment for a term in excess of one (1) year or pledge its assets to secure any securities of UWR or any direct or indirect subsidiary of Suez Environment.

(j) For a period of three (3) years following the date of the Board's Order in this proceeding and after notification has first been given to the affected employees, each New Jersey Operating Utility will notify the Board and Rate Counsel in writing of a planned reduction of five percent (5%) or more in its work force.

(k) The New Jersey Operating Utilities will not bear any costs incurred to comply with any law, regulation, standard, or practice of the Republic of France or European Community necessary to complete the Proposed Transaction.

(l) The New Jersey Operating Utilities will notify the Board and Rate Counsel of any downgrading of the bonds of UWR, or the Utilities upon public notification of any such downgrading and, where available, will provide a copy of the report of the rating agency relating to the downgrading.

(m) The New Jersey Operating Utilities will notify the Board before making any dividend payment that is in excess of seventy-five percent (75%) of its after-tax net income to common stock earned during each fiscal year.

(n) The Proposed Transaction shall not have any material effect on the income statement, balance sheet or book value of the New Jersey Operating Utilities.

(o) Following the completion of the Proposed Transaction, UWR and any of its subsidiaries and successors agree that the Board may conduct various focused audits,

management audits or reviews of the New Jersey Operating Utilities as provided in applicable New Jersey law.

(p) The Joint Petitioners shall file a report with the Board fully describing the corporate structure and various corporate relationships of the Joint Petitioners following the completion of the Proposed Transaction. Such report shall be in sufficient detail to allow the Board's Division of Audits to understand all affiliate relationships to the extent that they pertain to the operations of the New Jersey Operating Utilities and/or include the New Jersey Operating Utilities as a party, and such review is necessary to carry out the Board's regulatory functions. Upon request, the books, records and supporting documentation relating to such affiliate transactions shall be made available to the Board within six (6) months of the date of completion of the Proposed Transaction.

(q) The Joint Petitioners recognize the Board's concern that diversified investments by utilities and utility holding companies could have a deleterious impact on the financial integrity of UWR and the New Jersey Operating Utilities. To the extent UWR makes such filings, the Joint Petitioners shall provide notification to the Board and Rate Counsel of any documents that are filed with the SEC describing the investment results of UWR's diversified activities, and, upon request, will provide copies of such filed documents to the Board and Rate Counsel. Upon request, appropriate representatives of UWR and/or the New Jersey Operating Utilities will meet with the Board Staff and Rate Counsel to review and discuss, subject to the executed Confidentiality Agreement attached as Exhibit B hereto, any information relating to the unregulated business activities of UWR, as well as information relating to the unregulated business activities of the New Jersey Operating Utilities or their subsidiaries, all to the extent necessary to carry out the Board's regulatory functions.

(r) Upon request, the New Jersey Operating Utilities shall make available to the Board's Division of Audits, for review in the offices of the New Jersey Operating Utilities, copies of all of the audits of the New Jersey Operating Utilities and the internal audits of UWR or any of its subsidiaries and successors to the extent that such audits pertain to the operations of the New Jersey Operating Utilities and such review is necessary to carry out the Board's regulatory functions.

(s) Subject to the executed Confidentiality Agreement attached as Exhibit B hereto, upon request, copies of the U.S. federal income tax returns of UWR and any of its subsidiaries and successors that are consolidated with the New Jersey Operating Utilities for the purposes of U.S. federal income taxes shall be made available for review by the Board Staff and Rate Counsel at the Board's offices to the extent that such review is necessary to carry out the Board's regulatory functions.

(t) The New Jersey Operating Utilities shall use their best reasonable efforts to maintain all applicable water quality standards and to maintain or improve water service standards including, but not limited to, the following: water service related interruptions and employee response time thereto, and customer complaint and customer inquiry response time related to such water quality standards. The New Jersey Operating Utilities shall maintain adequate resources to continue to be responsive to questions from customers and regulatory agencies. In particular, the New Jersey Operating Utilities reaffirm their commitments as contained in their acceptance of the management audit recommendations accepted by the BPU in March 19, 2008, in Docket No. WA05060550.

(u) In accordance with, and absent a change in, N.J.S.A. 48:3-7 or any applicable Board regulations, any management, advisory service, construction or engineering

contract that in itself or in connection with another contract relating to the same work, project, transaction or service involves the expenditure of a sum exceeding twenty-five thousand dollars (\$25,000.00), made by any New Jersey Operating Utility with any person or corporation owning, holding or controlling separately, or in affiliation with another person or corporation, five percent (5%) or more of the capital stock of such New Jersey Operating Utility or with any corporation five percent (5%) of the capital stock of which is owned, held or controlled by a person or corporation owning, holding or controlling separately, or in affiliation with another person or corporation, five percent (5%) of the capital stock of such New Jersey Operating Utility, shall be submitted to the Board for its approval. Any such contracts shall be reported annually to the Board by the New Jersey Operating Utilities at the time of the filing of their annual reports to the Board. The New Jersey Operating Utilities shall continue to comply with N.J.S.A. 48:3-7.1

(v) The corporate headquarters of each New Jersey Operating Utility shall remain in New Jersey. Both SENA and UWR, the United States subsidiaries of Suez Environment, are currently operated and managed out of Harrington Park, New Jersey. SENA and UWR have no current plans to relocate their headquarters, and their current intent is for these headquarters to remain in Harrington Park, New Jersey. They agree that their corporate headquarters shall remain in New Jersey for a period of at least three (3) years following the date of the Board's Order in this proceeding. In recognition of the Board's desire to receive information about a planned move of the corporate headquarters of UWR outside of the State, UWR shall notify the Board six (6) months before an actual move of the corporate headquarters of UWR outside of the State.

(w) For a period of two (2) years following the date of the Board's Order in this proceeding, each New Jersey Operating Utility shall notify the Board and Rate Counsel within thirty (30) days after any of its officers is no longer employed by such Utility.

(x) The New Jersey Operating Utilities shall maintain a level of capital investment and best operating practices sufficient to ensure long-term safe, adequate and proper service in compliance with applicable regulations and statutes and in accordance with prudent utility practice. Each New Jersey Operating Utility shall receive funding priority equal to that of any other subsidiary of UWR consistent with UWR's allocation methodology. UWR and the New Jersey Operating Utilities shall support projects designed to enhance the long-term viability of the State's water supplies to serve customers in the service territories of the New Jersey Operating Utilities, including the development of new sources of supply and the enhanced utilization of existing supplies.

(y) The payment for Suez Environment stock in connection with the Proposed Transaction will not be recorded on the books of the New Jersey Operating Utilities.

(z) Each New Jersey Operating Utility will maintain a level of capital investment and best operating practices sufficient to ensure long-term safe, adequate and proper service in fulfillment of its obligations under New Jersey law. UWR shall use its best efforts to maintain current credit ratings that will provide access on a cost effective basis to the public equity and debt capital markets in the U.S., thereby allowing it to assist its operating subsidiaries in financing necessary and vital investments in the infrastructure of its subsidiaries, including the New Jersey Operating Utilities. To that end, UWR will maintain a ratio of debt to equity sufficient to ensure the continuation of investment-grade ratings on its outstanding debt, including an equity-to-capitalization ratio no lower than forty-five percent (45%) common

equity. The Signatory Parties recognize that generally-accepted standards for maintaining investment-grade ratings may change, and therefore this limitation may be revised.

The New Jersey Operating Utilities will continue to play an important role in the economic growth of New Jersey and will continue to support the local communities they serve, as responsible corporate citizens. To further underscore their commitment to the local communities, the New Jersey Operating Utilities agree to maintain, for at least three (3) years after the date of the Board's Order in this proceeding, and substantially at current aggregate levels, charitable commitments to the communities served by each New Jersey Operating Utilities.

For a period of one (1) year following the completion of the Proposed Transaction, staffing levels for collectively bargained employees will not drop below ninety percent (90%) of the number of collectively bargained individuals employed by the New Jersey Operating Utilities on January 1, 2008 (excluding those employees hired on a temporary or limited duration basis). Likewise, for a period of one (1) year following the completion of the Proposed Transaction, staffing levels for all employees (union and non-union collectively) will not drop below ninety percent (90%) of the number of individuals employed by the New Jersey Operating Utilities on January 1, 2008 (excluding those employees hired on a temporary or limited duration basis).

The New Jersey Operating Utilities agree to honor the obligations of the existing collective bargaining agreements between each of the New Jersey Operating Utilities and their applicable local unions (the "Collective Bargaining Agreements") through the termination dates of the Collective Bargaining Agreements, and intend to bargain in good faith towards the execution of any successor Collective Bargaining Agreement. Any successor to the

New Jersey Operating Utilities will assume the Collective Bargaining Agreements and all obligations there under as set forth in this paragraph.

As part of any rate case proceeding before the Board, the New Jersey Operating Utilities will claim an authorized rate of return for cost of capital which is comprised of the actual embedded cost of debt and a return on equity, as well as capital structure, which appropriately reflects then current market conditions and the risk fundamentals of the water utility industry. In connection therewith, the New Jersey Operating Utilities shall not claim that their risks have increased due solely to the fact that UWR is no longer a subsidiary or affiliate of Suez.

The New Jersey Operating Utilities shall not seek to recover from their ratepayers any costs associated with the unwinding of any debt or preferred stock transactions with Suez or any direct or indirect subsidiary of Suez.

(ff) The Joint Petitioners have complied with all conditions contained in the Order of the Board dated July 20, 2000 in I/M/O Joint Petition of Lyonnaise American Holding, Inc. and United Water Resources, Inc. for Approval of a Change in Ownership and Control of the New Jersey Operating Utilities, BPU Docket No. WM99110853 (the "Acquisition Order"), that have required compliance through the date of this Stipulation. The parties hereto have reviewed the Acquisition Order and have included in this Stipulation any conditions from the Acquisition Order that should continue to apply to the Joint Petitioners after consummation of the Proposed Transaction. The disposition of any conditions contained in the Acquisition Order that are not continued, modified or otherwise incorporated in this Stipulation is addressed in subparagraph (ii) below.

The parties hereto specifically affirm the Board's authority to enforce the provisions of this Stipulation and the Board's Order adopting this Stipulation.

Nothing in this Stipulation shall be construed as limiting the jurisdiction vested in the Board under Title 48 of the New Jersey Statutes or as altering the requirements found therein, including, but not limited to, the requirements of N.J.S.A. 48:2-51.1 or N.J.S.A. 48:2-16.

Based upon the foregoing and subject to the conditions set forth in this Stipulation, the parties agree that (i) the Proposed Transaction satisfies statutory and regulatory requirements and will not adversely impact competition, rates, employees or the provision of safe and adequate utility services at just and reasonable rates by the New Jersey Operating Utilities and the Joint Petitioners have identified positive benefits that will flow to the customers of the New Jersey Operating Utilities and the State as a result of the Proposed Transaction, and (ii) the Board should approve the Proposed Transaction as described in this Stipulation and enter an Order as requested by the Petition determining that (a) the Proposed Transaction as described in this Stipulation is approved, and (b) the conditions in the Order of the Board dated July 20, 2000 in I/M/O Joint Petition of Lyonnaise American Holding, Inc. and United Water Resources, Inc. for Approval of a Change in Ownership and Control of the New Jersey Operating Utilities, BPU Docket No, WM99110853, will no longer be applicable after consummation of the Proposed Transaction.

(jj) This Stipulation shall bind and inure to the benefit of the parties and their respective successors and assigns.

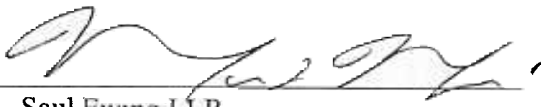
This Stipulation is the product of extensive negotiations by the signatories, and it is an express condition of the settlement embodied by this Stipulation that it be presented

to the Board in its entirety without modification or condition. It is also the intent of the signatories to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the Order adopting same as to those issues upon which the parties have stipulated. The parties agree that this Stipulation reflects a mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the parties hereto expressly and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any party hereto materially adversely affected thereby, upon notice within five business days after entry of the Board's Order, shall not be bound to proceed under this Stipulation. The parties further agree that the purpose of this Stipulation is to reach a fair and reasonable settlement, and that settlement will serve to avoid protracted and costly litigation of certain issues and that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this proceeding and to no other proceeding.

(II) This Stipulation may be executed in as many counterparts as there are signatories of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

UNITED WATER NEW JERSEY
UNITED WATER TOMS RIVER
UNITED WATER LAMBERTVILLE
UNITED WATER MID-ATLANTIC
AND SUEZ ENVIRONMENT

June 6, 2008
Date

By: 
Saul Ewing LLP
Mark L. Mucci, Esq.
Attorney for Petitioners

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
ATTORNEY FOR THE STAFF OF THE
NEW JERSEY BOARD OF PUBLIC UTILITIES

Date

By: _____
Arlene E. Pasko
Deputy Attorney General

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY
STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

Date

By: _____
Debra F. Robinson, Esq.
Deputy Public Advocate

UTILITY WORKERS UNION OF AMERICA
LOCAL 375

Date

By: _____
O'Brien, Belland & Bushinsky, LLC
Brett I. Last, Esq.
Attorney for Intervenor UWUA Local 375

(II) This Stipulation may be executed in as many counterparts as there are signatories of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

UNITED WATER NEW JERSEY
UNITED WATER TOMS RIVER
UNITED WATER LAMBERTVILLE
UNITED WATER MID-ATLANTIC
AND SUEZ ENVIRONMENT

Date

By: _____
Saul Ewing LLP
Mark L. Mucci, Esq.
Attorney for Petitioners

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
ATTORNEY FOR THE STAFF OF THE
NEW JERSEY BOARD OF PUBLIC UTILITIES

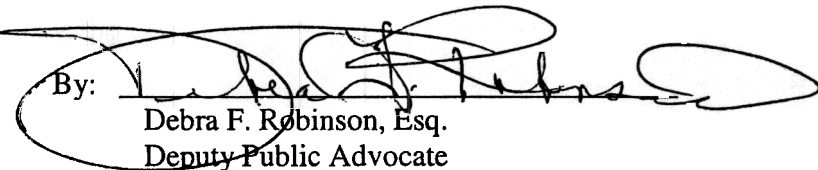
Date

By: _____
Arlene E. Pasko
Deputy Attorney General

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY
STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

June 9, 2008

Date

By: 
Debra F. Robinson, Esq.
Deputy Public Advocate

UTILITY WORKERS UNION OF AMERICA
LOCAL 375

Date

By: _____
O'Brien, Belland & Bushinsky, LLC
Brett I. Last, Esq.
Attorney for Intervenor UWUA Local 375

(11) This Stipulation may be executed in as many counterparts as there are signatories of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

UNITED WATER NEW JERSEY
UNITED WATER TOMS RIVER
UNITED WATER LAMBERTVILLE
UNITED WATER MID-ATLANTIC
AND SUEZ ENVIRONMENT

Date

By: _____
Saul Ewing LLP
Mark L. Mucci, Esq.
Attorney for Petitioners

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
ATTORNEY FOR THE STAFF OF THE
NEW JERSEY BOARD OF PUBLIC UTILITIES

Date

By: _____
Arlene E. Pasko
Deputy Attorney General

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY
STEFANIE A. BRAND
DIRECTOR, DIVISION OF RATE COUNSEL

Date

By: _____
Debra F. Robinson, Esq.
Deputy Public Advocate

UTILITY WORKERS UNION OF AMERICA
LOCAL 375

6/4/08

Date

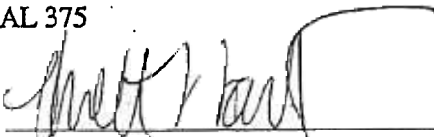
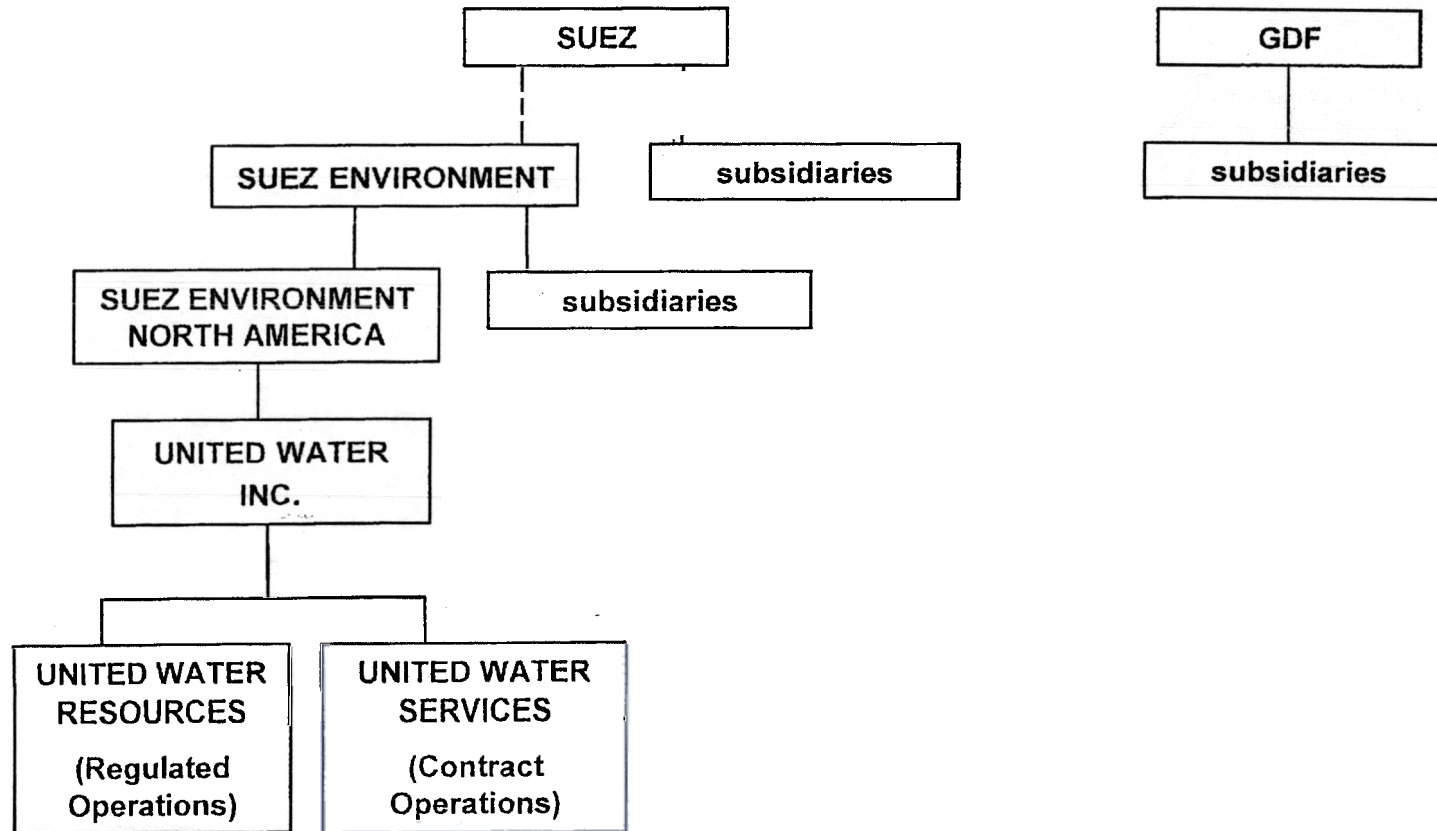
By: 
O'Brien, Belland & Bushinsky, LLC
Brett I. Last, Esq.
Attorney for Intervenor UWUA Local 375

EXHIBIT A

Suez / GDF Merger Current



SUEZ / GDF MERGER PROPOSED

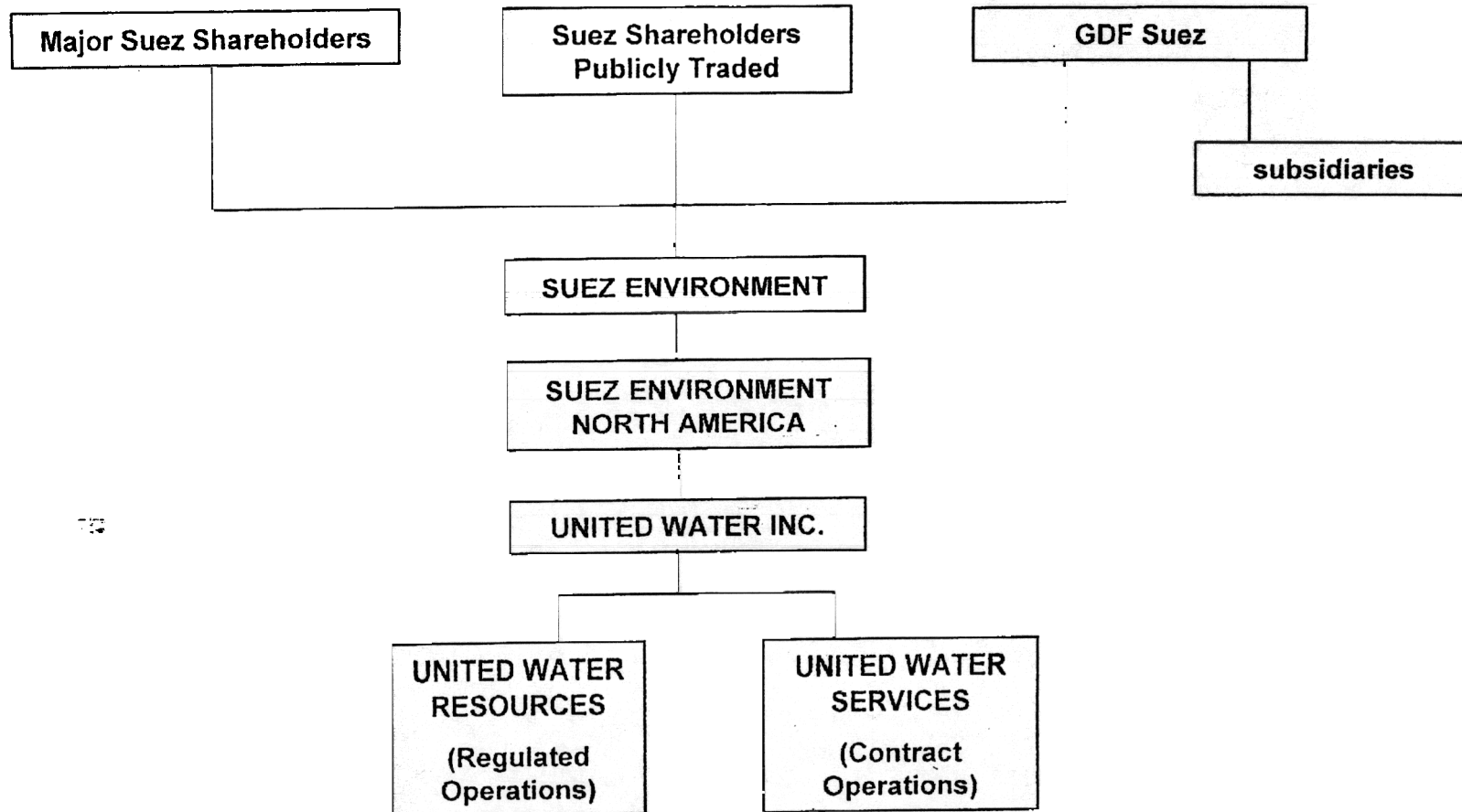


EXHIBIT B

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF : AGREEMENT OF NON-DISCLOSURE
UNITED WATER NEW JERSEY, UNITED : OF INFORMATION
WATER TOMS RIVER, UNITED WATER : CLAIMED TO BE CONFIDENTIAL
LAMBERTVILLE, UNITED WATER : BPU DOCKET NO. WM06110767
MID-ATLANTIC, AND GAZ DE FRANCE
FOR APPROVAL AS NEEDED FOR A
CHANGE IN OWNERSHIP AND CONTROL

It is hereby AGREED, as of the _____ day of May, 2008,
by and among United Water New Jersey, United Water Toms River,
United Water Lambertville, United Water Mid-Atlantic, and Suez
Environment and the Staff of the Board of Public Utilities ("Board
Staff") and the Division of Rate Counsel ("Rate Counsel")
(collectively, the "Parties") who have agreed to execute this
Agreement of Non-Disclosure of Information Claimed to be
Confidential ("Agreement" and to be bound thereby that:

WHEREAS, in connection with the above-captioned
proceeding before the Board of Public Utilities "Board"), United
Water New Jersey, United Water Toms River, United Water
Lambertville, United Water Mid-Atlantic, and Suez Environment,
and/or another party (collectively, the "Providing Party" may be
requested or required to provide petitions, pre-filed testimony,
other documents, analyses and/or other data or information
regarding the subject matter of these proceedings that the
Providing Party may claim constitutes or contains confidential,
proprietary or trade secret information, or which otherwise may be

claimed by the Providing Party to be of a market-sensitive competitive, confidential or proprietary nature (hereinafter sometimes referred to as "Confidential Information" or "Information Claimed to be Confidential" ; and

WHEREAS, the Parties wish to enter into this Agreement to facilitate the exchange of information while recognizing that under Board regulation N.J.A.C. 14:1-12 et seq., a request for confidential treatment shall be submitted to the Custodian who is to rule on requests made pursuant to the Open Public Records Act ("OPRA" , N.J.S.A. 47:1A-1 et seq. unless such information is to be kept confidential pursuant to court order, and also recognizing that a request may be made to designate any such purportedly confidential information as public through the course of these administrative proceedings;

NOW, THEREFORE, the Parties hereto, intending to be legally bound thereby, DO HEREBY AGREE as follows:

1. Any Information Claimed to be Confidential that the Providing Party produces in connection with the above-captioned proceedings and pursuant to the terms of this Agreement shall be specifically identified and marked by the Providing Party as Confidential Information when provided hereunder. Additionally, any such purportedly confidential information submitted to Board shall be provided in the form and manner prescribed by

Board's regulations at N.J.A.C. 14:1-12 et seq., unless such information is to be kept confidential pursuant to court or administrative order.

2. With respect to documents identified and marked as Confidential Information, if the Providing Party's intention is that not all of the information contained therein should be given protected status, the Providing Party shall indicate which portions of such documents contain the Information Claimed to be Confidential in accordance with the Board's regulations at N.J.A.C. 14:1-12.2 and 12.3. Additionally, the Providing Party shall provide to all signatories of this agreement full and complete copies of both the proposed public version and the proposed confidential version of any information for which confidential status is sought

3. With respect to all Information Claimed to be Confidential, it is further agreed that:

Access to the documents designated as Confidential Information, and to the information contained therein, shall be limited to the Party signatories to this Agreement and their identified attorneys, employees, experts and consultants whose examination of the Information Claimed to be Confidential is required for the conduct of this particular proceeding.

(b) Recipients of Information Claimed to be Confidential shall not disclose the contents of the documents produced pursuant to this Agreement to any person(s) other than their identified employees and attorneys and any identified experts and consultants whom they may retain in connection with this proceeding, irrespective of whether any such expert or consultant is retained specially and is not expected to testify, or is called to testify in this proceeding. All consultants or experts of any party to this Agreement who are to receive copies of documents produced pursuant to this Agreement shall have previously executed a copy of the Acknowledgment attached as "Attachment I", which executed Acknowledgment shall be forthwith provided to counsel for the Providing Party, with copies to counsel for Board Staff and Rate Counsel.

(c) No other disclosure of Information Claimed to be Confidential shall be made to any person or entity except with the express written consent of the Providing Party or their counsel, or upon further determination by the Custodian, or order of the Board, the Government Records Council or of any Court of competent jurisdiction that may review these matters.

4. The undersigned Parties have executed this Agreement for the exchange of Information Claimed to be Confidential only to the extent that it does not contradict or in any way restrict any

applicable Custodian, the Government Records Council, or any Court of competent jurisdiction from conducting appropriate analysis and making a determination as to the confidential nature of said information, where a request is made pursuant to OPRA, N.J.S.A. 47:1A-1 et seq. Absent a determination by any applicable Custodian, Government Records Council, or any Court of competent jurisdiction that a document(s) is to be made public, the treatment of the documents exchanged during the course of these proceeding(s) and any subsequent appeals is to be governed by the terms of this Agreement.

5. In the absence of a decision by the Custodian, Government Records Council, or any Court of competent jurisdiction, the acceptance by the undersigned Parties of information which the Providing Party has identified and marked as Confidential Information shall not serve to create a presumption that the material is in fact entitled to any special status in these or any other proceedings. Likewise, the affidavit(s) submitted pursuant to N.J.A.C. 14:1-12.8 shall not alone be presumed to constitute adequate proof that the Providing Party is entitled to a Protective Order for any of the information provided hereunder. In the event that any Party seeks to use the Information Claimed to be Confidential in the course of any hearings or as part of the record of these proceedings, the Parties shall seek a determination by the

trier of fact as to whether the portion of the record containing the Information Claimed to be Confidential should be placed under seal. Furthermore, if any Party wishes to challenge the Providing Party's designation of the material as Confidential Information, such Party shall provide reasonable notice to all other Parties of such challenge and the Providing Party may make a motion seeking a Protective Order. In the event of such challenge to the designation of material as Confidential Information, the Providing Party, as the provider of the Information Claimed to be Confidential, shall have the burden of proving that the material is entitled to protected status. However, all Parties shall continue to treat the material as Confidential Information in accordance with the terms of this Agreement, pending resolution of the dispute as to its status by the trier of fact.

6. Confidential Information that is placed on the record of these proceedings under seal pursuant to a Protective Order issued by the Board or any Court of competent jurisdiction shall remain with the Board under seal after the conclusion of proceeding. If such Confidential Information is provided to appellate courts for the purposes of an appeal(s) from these proceedings, such information shall be provided, and shall continue to remain, under seal

7. This Agreement shall not:

(a) Operate as an admission for any purpose that documents or information produced pursuant to this Agreement admissible or inadmissible in any proceeding;

(b) Prejudice in any way the right of the Parties, at any time, on notice given in accordance with the rules of Board, to seek appropriate relief in the exercise of discretion by the Board for violations of any provision of this Agreement.

8. Within forty five (45) days of the final Board Order resolving the above-referenced proceedings, all documents, materials and other information designated as "Confidential Information," regardless of format, shall be destroyed or returned to counsel for the Providing Party. In the event that such Board Order is appealed, the documents and materials designated as "confidential" shall be returned to counsel for the Providing Party within forty-five (45) days of the conclusion of the appeal.

Notwithstanding the above return requirement, the Board Staff and Rate Counsel may maintain in their files copies of pleadings, briefs, transcripts, discovery and other documents, materials and information designated as "Confidential Information," regardless of format, exchanged or otherwise produced during these proceedings, provided that all such information and/or materials that contain Information Claimed to be Confidential shall remain subject to the terms of this Agreement. The Providing Party may

request consultants or experts who received Confidential Information to certify in writing to counsel for the Providing Party that the terms of this Agreement have been met resolution of the proceedings.

9. The execution of this Agreement shall not prejudice the rights of any Party to seek relief from discovery under any applicable law providing relief from discovery.

10. The parties agree that one original of this Agreement shall be created for each of the signatory parties for convenience of all. The signature pages of each original shall be executed by the recipient and transmitted to counsel of record for the Providing Party, who shall send a copy of the fully executed document to all counsel of record. The multiple signature pages shall be regarded as, and given the same effect as, a single page executed by all Parties.

IN WITNESS THEREOF, the undersigned Parties do HEREBY AGREE to the form and execution of this Agreement.

UNITED WATER NEW JERSEY
UNITED WATER TOMS RIVER,
UNITED WATER LAMBERTVILLE,
UNITED WATER MID-ATLANTIC
AND SUEZ ENVIRONMENT

By: _____
Saul Ewing LLP
Mark L. Mucci, Esq.
Attorney for Petitioners

ANNE MILGRAM,
ATTORNEY GENERAL OF NEW JERSEY
ATTORNEY FOR THE STAFF OF THE
NEW JERSEY BOARD OF PUBLIC UTILITIES

Arlene E. Pasko
Deputy Attorney General

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY

Debra F. Robinson, Esq.
Associate Deputy Rate Counsel

ATTACHMENT I

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF UNITED WATER)
NEW JERSEY, UNITED WATER TOMS)
RIVER, UNITED WATER LAMBERTVILLE,)
UNITED WATER MID-ATLANTIC, AND GAZ)
DE FRANCE FOR APPROVAL AS NEEDED)
FOR A CHANGE IN OWNERSHIP AND)
CONTROL)

AGREEMENT OF NON-DISCLOSURE
OF INFORMATION CLAIMED
TO BE CONFIDENTIAL

BPU DOCKET NO. WM06110767

The undersigned is an attorney, employee, consultant and/or expert for the Division of Rate Counsel, Board Staff or a Party who has received, or is expected to receive, Confidential Information provided by United Water New Jersey, United Water Toms River, United Water Lambertville, United Water Mid-Atlantic and Suez Environment, or by another party (collectively, "Providing Party"), which has been identified and marked by the Providing Party as "Confidential Information." The undersigned acknowledges receipt of the Agreement of Non-Disclosure of Information Claimed to be Confidential and agrees to be bound by the terms of the Agreement.

Dated: _____

(name, title, affiliation)